

**Oceana County, Michigan**

Financial Statements  
And Independent Auditors' Report

Year Ended December 31, 2007

**Oceana County, Michigan**  
**Board of Commissioners**

Larry VanSickle  
Chairperson

Jim Brown  
  
Larry Byl  
  
Gerald Malburg

Denny Powers  
  
Evelyn Kolbe  
  
Charles (Bud) Simon

**Court Judges**

Honorable Terrence R. Thomas  
Circuit Court

Honorable Kevin Drake  
District Court

Honorable Brad Lambrix  
Probate Court

Honorable Anthony A. Monton  
Chief Circuit Court

**County Elected Officials**

Sheila Gowell  
Treasurer

Kenneth Prince  
Sheriff

Calvin C. Ackley  
Drain Commissioner

Rebecca J. Griffin  
Clerk

Terry Shaw  
Prosecuting Attorney

Janice Foster  
Register of Deeds

J. Randolph Hepworth  
Surveyor

**County Population - 2000**

26,873

**County Taxable Valuation - 2007**

\$1,018,566,194

**Oceana County, Michigan  
Table of Contents**

	<u><b>Page</b></u>
<b>Independent Auditors' Report</b> .....	i – ii
<b>Management's Discussion &amp; Analysis</b> .....	iii – x
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets – Primary Government Only .....	1
Statement of Activities – Primary Government Only .....	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	3
Reconciliation of Fund Balances on the Balance Sheet of Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Governmental Activities on the Statement of Activities .....	6
Statement of Net Assets – Proprietary Fund .....	7
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund .....	8
Statement of Cash Flows – Proprietary Fund .....	9
Statement of Fiduciary Net Assets – Fiduciary Funds.....	10
Notes to Financial Statements.....	11 – 25
<b>Required Supplemental Information:</b>	
Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds .....	26
<b>Other Supplemental Information:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds.....	27
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	28
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	29-31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	32-34

**Oceana County, Michigan  
Table of Contents (Continued)**

	<u><b>Page</b></u>
Combining Balance Sheet – Nonmajor Debt Service Funds.....	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds .....	36
Combining Balance Sheet – Nonmajor Capital Project Funds.....	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds .....	38
Combining Balance Sheet – Nonmajor Permanent Funds.....	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds .....	40
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual - General Fund.....	41-43
Schedule of Bonded Indebtedness.....	44-47
Federal Awards Supplemental Information	Issued Under Separate Cover

## **Independent Auditors' Report**

Board of Commissioners  
Oceana County  
Hart, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Oceana County, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include financial data for the County's legally separate discretely presented component units. Accounting principles generally accepted in the United States of America require the financial data for those discretely presented component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Oceana County as of December 31, 2007, or the changes in financial position thereof for the year then ended.

Board of Commissioners  
Oceana County

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Oceana County, Michigan, as of December 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2008, on our consideration of the County's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the primary government financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Oceana County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

Willis & Jurasek, P.C.

August 23, 2008

**Oceana County**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2007**

As management of the County of Oceana, we offer this narrative overview and analysis of the County's financial activities for the year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the County primary government exceeded its liabilities at the close of fiscal year 2007 by \$15,873,306 (net assets). Of this amount, \$7,249,987 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's net assets increased by \$2,690,545 from 2006 to 2007.
- As of the close of fiscal year 2007, the County's governmental funds (this includes the general fund, special revenue funds, debt service and capital project funds) reported combined ending fund balances of \$8,042,352, an increase of \$2,916,408 in comparison with the prior year. Of the fund balance amount, \$7,712,292 is available for spending at the government's discretion (unreserved fund balance).
- The general fund had an excess of revenues over expenditures and other financing uses of \$815,148 for 2007. At the end of the year, unreserved fund balance for the general fund was \$731,674 or approximately 8.9% of total general fund expenditures. Total fund balance for the general fund was \$786,085.
- The County's total bonded debt decreased by \$585,000 during fiscal year 2007.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole (government-wide financial statements) and present a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements providing information about the County's most significant funds.

The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**REPORT THE COUNTY AS A WHOLE**

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer the question. These statements include all assets and liabilities using the modified accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and the changes in them. One can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health or financial position. Over time, increases or decreases in the county's net assets are an indicator of whether its financial health is improving or deteriorating. During 2007, the net assets of the County increased by \$2,687,885.

**Oceana County**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2007**

The Statement of Net Assets and the Statement of Activities present information about the following:

Governmental activities – all of the County's basic services are considered to be governmental activities, including legislative, judicial, general government administration, public safety, public works, health and welfare, recreation and other related services. Property taxes, intergovernmental revenue and charges for services finance most of these activities.

Business-type activities – other functions of the County that are intended to recover all or a significant portion of their costs through user fees and charges are considered to be business-type activities. These include delinquent tax collections, airport hangar fees and sale of aviation fuel.

Component units – the County includes other legally separate entities in its financial statements: the Oceana County Drain Commission, Oceana County Road Commission, Oceana County Economic Development Corporation and Oceana County Medical Care Facility. Although legally separate, these "component units" are important because the County is financially accountable for them.

Financial statements for these component units are reported separately from the financial information presented for the primary government itself. The Oceana County Building Authority, although legally separate, is inactive but functions for all practical purposes as a department of the County; therefore, it is an integral part of the primary government.

The government-wide statement of Net Assets and Statement of Activities can be found on pages 1-2 of the audit report.

#### REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statement – The fund financial statements provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and some by bond covenants. However, the County has established many other funds to help control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants and other monies. The County's two primary kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds – Most of the County's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides.

Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers of this audit may have a better understanding of the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in the fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County maintains thirty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures and changes in fund balances for the general fund, revenue sharing reserve and the medical care facility, each of which are considered to be major funds. Data for the other twenty-nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of



**Oceana County**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2007**

combining statements elsewhere is the audit report.

Proprietary Funds – The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for delinquent taxes. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions however the County does not have any internal service funds at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the operation of the parks. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the audit report.

### REPORTING THE COUNTY'S FIDUCIARY RESPONSIBILITIES

The County of Oceana is the trustee, or fiduciary for certain amounts of funds on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. Amounts held by the County's fiduciary funds are reported in a separate Combining Balance Sheet of Fiduciary Funds. The accounting used in fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The notes of the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with non-major governmental, enterprise and internal service funds are presented as listed in the table of contents.

Oceana County's Net Assets						
	Governmental Activities - 2007	Governmental Activities - 2006	Business-Type Activities - 2007	Business-Type Activities - 2006	Total - 2007	Total - 2006
<b>ASSETS</b>						
Current and other assets	\$ 17,076,853	\$ 13,708,447	\$ 1,667,055	\$ 1,484,395	\$ 18,743,908	\$ 15,192,842
Capital assets	13,118,428	13,518,217	-	-	13,118,428	13,518,217
<b>Total assets</b>	<b>\$ 30,195,281</b>	<b>\$ 27,226,664</b>	<b>\$ 1,667,055</b>	<b>\$ 1,484,395</b>	<b>\$ 31,862,336</b>	<b>\$ 28,711,059</b>
<b>LIABILITIES</b>						
Long-term liabilities	\$ 8,346,243	\$ 8,834,507	\$ -	\$ -	\$ 8,346,243	\$ 8,834,507
Other liabilities	5,975,732	5,860,589	1,125,000	945,000	7,100,732	6,805,589
<b>Total liabilities</b>	<b>\$ 14,321,975</b>	<b>\$ 14,695,096</b>	<b>\$ 1,125,000</b>	<b>\$ 945,000</b>	<b>\$ 15,446,975</b>	<b>\$ 15,640,096</b>
<b>NET ASSETS</b>						
Invested in capital assets, net or related debt	\$ 7,830,954	\$ 8,128,711	\$ -	\$ -	\$ 7,830,954	\$ 8,128,711
Restricted	792,365	618,819	-	-	792,365	618,819
Unrestricted	7,249,987	3,784,039	542,055	539,395	7,792,042	4,323,434
<b>Total net assets</b>	<b>\$ 15,873,306</b>	<b>\$ 12,531,569</b>	<b>\$ 542,055</b>	<b>\$ 539,395</b>	<b>\$ 16,415,361</b>	<b>\$ 13,070,964</b>

**Oceana County**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2007**

A portion of the County's net assets, \$7,830,954, is its investment in capital assets (i.e. land, buildings, vehicles, equipment and infrastructure), net of any related debt used to acquire those assets that is still outstanding. The County used these capital assets to provide services to citizens; consequently, these assets are **not** available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's assets, \$792,365 (5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$7,249,987 (46%), may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the 2007 fiscal year, the County is able to report positive balances in all three categories (invested in capital assets – net of related debt, restricted and unrestricted) of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Oceana County**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2007**

Oceana County's Changes in Net Assets

	Governmental Activities - 2007	Governmental Activities - 2006	Business- Type Activities - 2007	Business- Type Activities - 2006	Total - 2007	Total - 2006
<b>REVENUES</b>						
Programs						
revenues						
Charges for						
services	\$ 15,729,322	\$ 14,243,399	\$ 619,184	\$ 392,188	\$ 16,348,506	\$ 14,635,587
Operating						
grants and						
contributions	1,753,766	3,378,179	-	-	1,753,766	3,378,179
Capital grants						
and						
contributions	-	-	-	-	-	-
General						
Revenues:						
Property taxes						
and special						
assessments	11,263,009	9,823,847	-	-	11,263,009	9,823,847
State shared						
revenue	-	-	-	-	-	-
Investment						
earnings	218,885	211,253	-	-	218,885	211,253
Gain (loss) on						
sale of fixed						
assets	-	-	-	-	-	-
Other						
Revenues	537,793	522,477	-	-	537,793	522,477
Transfers	422,316	500,000	(422,316)	(500,000)	-	-
<b>TOTAL</b>	<b>29,925,091</b>	<b>28,679,155</b>	<b>196,868</b>	<b>(107,812)</b>	<b>30,121,959</b>	<b>28,571,343</b>
<b>EXPENSES</b>						
Legislative	178,378	156,839	-	-	178,378	156,839
Judicial	1,397,091	1,318,272	-	-	1,397,091	1,318,272
General						
government	2,592,928	2,634,347	-	-	2,592,928	2,634,347
Public Safety	4,910,546	4,574,795	-	-	4,910,546	4,574,795
Public works	199,955	525,396	-	-	199,955	525,396
Health and						
welfare	16,744,805	16,907,929	-	-	16,744,805	16,907,929
Parks and						
recreation	54,396	56,265	-	-	54,396	56,265
Other						
activities	784,899	815,875	-	-	784,899	815,875
Interest on						
long-term deb	373,707	354,966	-	-	373,707	354,966
Delinquent tax	-	-	194,208	78,879	194,208	78,879
Collections/for						
feitures	-	-	-	-	-	-
<b>TOTAL</b>	<b>27,236,705</b>	<b>27,344,684</b>	<b>194,208</b>	<b>78,879</b>	<b>27,430,913</b>	<b>27,423,563</b>
<b>INCREASE (DECREASE) IN</b>						
<b>NET ASSETS</b>						
beginning of	2,688,386	1,334,471	2,660	(186,691)	2,691,046	1,147,780
year	13,185,421	11,197,098	539,395	726,086	13,724,816	11,923,184
Prior period						
adjustment	-	-	-	-	-	-
<b>TOTAL NET</b>						
<b>ASSETS,</b>						
<b>END OF</b>						
<b>YEAR</b>	<b>\$ 15,873,807</b>	<b>\$ 12,531,569</b>	<b>\$ 542,055</b>	<b>\$ 539,395</b>	<b>\$ 16,415,862</b>	<b>\$ 13,070,964</b>

**Oceana County**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2007**

The County's net assets increased by \$2,690,545 during the current fiscal year – a \$2,687,885 increase for governmental activities and a \$2,660 increase for business-type activities.

Governmental activities – Governmental activities increased the County's net assets by \$2,687,885. Key elements of this increase are as follows:

- The General Fund and a number of Special Revenue Funds had expenditures that were less than the final budget.
- The self funded special revenue funds had operating losses that were less than the amounts appropriated to those funds.

Business-type activities – Net assets of the County's business-type activities increased \$2,660. The increase in net assets reflects a net income of \$2,660 in the Delinquent Tax Revolving, Delinquent Tax Foreclosure and Register of Deeds Automation Funds.

As noted earlier, Oceana County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the year ended December 31, 2007, the County's governmental funds reported combined ending fund balances of \$8,042,352, an increase of \$2,916,408 from the prior year. Of the fund balance amount, \$7,712,292 constitutes for spending at the government's discretion.

The General Fund is the chief operating fund of the County. At the end of the 2007 fiscal year, the County's ending fund balance for the General Fund was \$786,085. The fund balance increase was relatively insignificant in scope; however, it reflects continued efforts on behalf of the Administration and the County Department Heads to develop accurate budgets and operate within them.

As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 15.5% of the total general fund expenditures.

The fund balance of the County's general fund increased by \$815,148 during fiscal year 2007. This is primarily attributable to investment income, property tax collections, charges for services in the District Court being higher than budgeted amounts and due to several offices and departments keeping their expenditures under budgeted amounts.

The Revenue Sharing Reserve Fund increased the fund balance by \$735,896.

Proprietary funds – The County's proprietary funds provide the same type of information in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Delinquent Tax Revolving amount to \$542,055, respectively.

General Fund Budgetary Highlights

Revenues in the General Fund (including transfers in) increased by \$1,026,707 from the original to the final budget in fiscal year 2007. The increase is primarily attributable to a significant transfer from the revenue sharing reserve fund, investment income, property tax collections, charges for services in the District Court being higher than budgeted amounts and due to several offices and departments keeping their expenditures under budgeted amounts.

The amended budget was also supported by net expenditure (including transfers out) savings of \$302,418 as a result of expenditure savings in several departments.

Capital Asset and Debt Administration – Capital Assets. As of December 31, 2007, the County's investment in capital assets for its governmental activities amounted to \$7,830,954 (net of

**Oceana County**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2007**

accumulated depreciation). The investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment and vehicles. The total decrease in the County's investment in capital assets for 2007 was 2.8%. The County's business-type activities' net capital assets increased by \$2,066.

There were no major construction projects in 2007.

Some of the capital assets included:

- Crystal Valley Park improvements at a cost of \$136,850
- Capital Asset Inventory of County buildings, equipment and site improvements at a cost of \$8,500
- Purchase and installation of court recording system for District Court at a cost of \$9,033
- Installation of air conditioning in County Building Computer Room at a cost of \$3,865
- Renovations to the County Building for improved security at a cost of \$19,040
- Purchase and installation of court recording system for Probate Court at a cost of \$7,000
- Purchase of "emergency alert" software and equipment through emergency management office for Homeland Security purposes at a cost of \$17,075
- Construction of canopy on west entrance of County Building for improved security at a cost of \$12,161
- Purchase and installation of electronic documentation system for EMS at a cost of \$24,000
- Purchase and installation of laptop computers for Oceana County Sheriff's Department and village and City of Hart police departments at a cost of \$88,300

<u>Oceana County's Capital Assets</u>			
<u>Governmental Activities</u>			
	<u>2007</u>		<u>2006</u>
Land	\$ 1,365,960	\$	1,365,960
Buildings and Improvements	11,631,325		11,488,576
Equipment and furniture	5,313,017		5,157,266
Vehicles	1,517,414		1,404,198
Infrastructure	146,650		146,650
Subtotal	19,974,366		19,562,650
Less: Accumulated Depreciation	6,855,938		6,044,432
Total	<u>\$ 13,118,428</u>	<u>\$</u>	<u>13,518,218</u>

Long-term debt. As of December 31, 2007, the County had total bonded debt outstanding of \$7,966,000. Governmental fund debt accounted for all of this. At a minimum, all bonds are backed by the County's full faith and credit.

The County's total debt decreased by \$488,264 during the year ended December 31, 2007. The County retired \$585,000 of general obligation bonds in 2007.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The 2007 debt limitation for the County is \$173,192,233 which is significantly in excess of the County's outstanding general obligation debt.

The top 10 property taxpayers in Oceana County with 2007 Taxable Value are as follows:

**Oceana County**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2007**

	<u>Taxpayer(s)</u>	<u>2007 Taxable Value</u>
1	Earl and Linda Peterson	\$10,995,764
2	Gray and Company	\$9,060,491
3	Kurdziel Iron	\$8,515,070
4	Great Lakes Energy	\$6,394,982
5	Consumers Power	\$6,130,695
6	Premier Cold Storage	\$5,097,550
7	GHSP	\$4,994,494
8	Hanson Cold Storage	\$4,647,793
9	Carpenter Lake Development	\$4,017,435
10	New Era Canning Company	\$3,767,523

**ECONOMIC FACTORS AND 2008 BUDGETS AND RATES**

The following factors were considered in preparing the County of Oceana's 2008 Budget:

- The uncertainty over the State's economy will likely result in additional reductions in State funding. The actual magnitude of the decrease will depend on the economy, the housing market and the job market within the State of Michigan and changes in federal budget levels.
- Slow growth in new construction will generate a minimal increase in property tax revenue to help cover increases in the cost of doing business
- Healthcare costs will continue to increase at a rate higher than inflation despite the County's efforts to contain said costs through increased employee participation.
- Continued decline in building permit activity will mean continued layoffs in the Building Department
- Continuation of foreclosures will impact property tax revenue
- Weakening investment earnings will have a negative impact on revenue
- The increased dependence on the use of Delinquent Tax Revolving funds and the assets of the Federal Revenue Sharing Reserve Fund will have a negative impact on the County's net assets

**HIGHLIGHTS IN THE 2007 BUDGET**

- Cost reductions and "zero sum" budgeting approach to many facets of the budget. In effect, there were no reserves available to balance the budget
- Reductions in healthcare costs
- Renewed efforts to attain the most accurate portrait of revenues and expenditures in the budget development process

**REQUESTS FOR INFORMATION**

The Management Discussion and Analysis is designed to provide a general overview of the County of Oceana's finances for all those with an interest in county government financing. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Paul E. Inglis, Oceana County Administrator/Fiscal Officer, P.O. Box 31, Hart, Michigan 49420, phone #(231)873-4835, extension 6701.

**Oceana County, Michigan**  
Statement of Net Assets  
Primary Government Only  
December 31, 2007

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-</b>	
	<b>Activities</b>	<b>Type</b>	<b>Total</b>
		<b>Activities</b>	
<b>Assets:</b>			
Cash and investments	\$ 6,685,404	\$ 255,147	\$ 6,940,551
Accounts receivable	1,809,281	-	1,809,281
Current taxes receivable	3,835,390	-	3,835,390
Interest receivable	1,085,894	-	1,085,894
Due from State	174,624	-	174,624
Delinquent taxes	-	1,411,908	1,411,908
Receivables from other governmental units to service bond debt	3,125,000	-	3,125,000
Inventories	81,988	-	81,988
Prepaid expenditures	248,072	-	248,072
Internal balances	31,200	-	31,200
Capital assets less accumulated depreciation of \$6,855,938	13,118,428	-	13,118,428
Total assets	<u>30,195,281</u>	<u>1,667,055</u>	<u>31,862,336</u>
<b>Liabilities:</b>			
Accounts payable	488,941	-	488,941
Other liabilities	724,662	-	724,662
Accrued interest	66,231	-	66,231
Deferred property taxes	4,695,898	-	4,695,898
Long-term liabilities:			
Bonds payable, due within one year	610,000	-	610,000
Other obligations, due within one year	115,387	1,125,000	1,240,387
Bonds payable, due in more than one year	7,356,000	-	7,356,000
Other obligations, due in more than one year	264,856	-	264,856
Total liabilities	<u>14,321,975</u>	<u>1,125,000</u>	<u>15,446,975</u>
<b>Net Assets:</b>			
Investment in capital assets - net of related debt	7,830,954	-	7,830,954
Restricted for debt service	656,900	-	656,900
Restricted for construction	135,465	-	135,465
Unrestricted	7,249,987	542,055	7,792,042
Total net assets	<u>\$ 15,873,306</u>	<u>\$ 542,055</u>	<u>\$ 16,415,361</u>

See Notes to Financial Statements.

**Oceana County, Michigan**  
Statement of Activities  
Primary Government Only  
Year Ended December 31, 2007

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental	Business-Type Activities
			Operating Grants	Capital Grants		
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Legislative	\$ 178,378	\$ -	\$ -	\$ -	(178,378)	\$ -
Judicial	1,397,091	498,785	576,903	-	(321,403)	-
General county government	2,592,928	321,678	270,089	-	(2,001,161)	-
Public safety	4,910,546	2,561,986	249,033	-	(2,099,527)	-
Public works	199,955	118,124	7,651	-	(74,180)	-
Health and welfare	16,744,805	12,156,490	650,090	-	(3,938,225)	-
Culture and recreation	54,396	72,259	-	-	17,863	-
Other	784,899	-	-	-	(784,899)	-
Interest	373,707	-	-	-	(373,707)	-
Total governmental activities	27,236,705	15,729,322	1,753,766	-	(9,753,617)	-
<b>Business-Type Activities:</b>						
Tax revolving fund	194,208	619,184	-	-	424,976	424,976
Total primary government	\$ 27,430,913	\$ 16,348,506	\$ 1,753,766	\$ -	\$ (9,753,617)	\$ (9,328,641)
<b>General Revenues:</b>						
Property taxes					11,263,009	-
Investment earnings					218,885	-
Other					537,292	-
Transfers					422,316	(422,316)
Total general revenues and transfers					12,441,502	12,019,186
<b>Changes in Net Assets</b>					2,687,885	2,690,545
<b>Net Assets - Beginning of Year</b>					13,185,421	539,395
<b>Net Assets - End of Year</b>					\$ 15,873,306	\$ 542,055
						\$ 16,415,361

See Notes to Financial Statements.



**Oceana County, Michigan**  
Balance Sheet  
Governmental Funds  
December 31, 2007

	<u>Assets</u>				
	General	Medical Care Facility	Revenue Sharing	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,126,758	\$ 806,888	\$ 1,225,102	\$ 2,526,656	\$ 6,685,404
Accounts receivable	55,328	1,442,790	-	311,163	1,809,281
Taxes receivable	-	2,272,593	-	1,562,797	3,835,390
Interest receivable	1,084,387	-	-	1,507	1,085,894
Due from other entities	108,990	-	-	65,634	174,624
Inventory	-	81,988	-	-	81,988
Prepaid expenses	54,411	162,019	-	31,642	248,072
Due from other funds	-	-	1,461,705	-	1,461,705
Advances to other funds	31,200	-	-	-	31,200
Total assets	<u>\$ 3,461,074</u>	<u>\$ 4,766,278</u>	<u>\$ 2,686,807</u>	<u>\$ 4,499,399</u>	<u>\$ 15,413,558</u>
<b>Liabilities:</b>					
Due to other funds	\$ 1,461,705	-	-	-	1,461,705
Accounts payable	193,208	197,432	-	98,301	488,941
Other liabilities	159,568	373,846	-	191,248	724,662
Deferred property taxes	880,508	2,272,593	-	1,562,797	4,695,898
Total liabilities	<u>2,674,989</u>	<u>2,843,871</u>	<u>-</u>	<u>1,852,346</u>	<u>7,371,206</u>
<b>Fund Balances:</b>					
Reserved for:					
inventories and prepaids	54,411	244,007	-	31,642	330,060
Unrestricted; undesignated - reported in:					
General fund	731,674	-	-	-	731,674
Special revenue funds	-	1,678,400	2,686,807	1,822,429	6,187,636
Debt service funds	-	-	-	656,900	656,900
Capital project funds	-	-	-	135,465	135,465
Permanent funds	-	-	-	617	617
Total fund balances	<u>786,085</u>	<u>1,922,407</u>	<u>2,686,807</u>	<u>2,647,053</u>	<u>8,042,352</u>
Total liabilities and fund balances	<u>\$ 3,461,074</u>	<u>\$ 4,766,278</u>	<u>\$ 2,686,807</u>	<u>\$ 4,499,399</u>	<u>\$ 15,413,558</u>

See Notes to Financial Statements.

**Oceana County, Michigan**

Reconciliation of Fund Balances on the Balance Sheet of Governmental Funds  
to Net Assets of Governmental Activities on the Statement of Net Assets  
December 31, 2007

<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 8,042,352</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 19,974,366	
Accumulated depreciation is	<u>(6,855,938)</u>	
		13,118,428
Other long-term assets are not available to pay for current period expenditures and therefore are not recorded in the funds.		
Add - long-term receivable from municipalities to service future bond principal		3,125,000
Accrued interest is not recorded as a liability in the funds		
		(66,231)
Long-term liabilities not due and payable in the current period and not reported in the funds:		
Bonds payable		(7,966,000)
Notes payable		<u>(380,243)</u>
<b>Total Net Assets - Governmental Activities</b>		<b>\$ <u>15,873,306</u></b>

**Oceana County, Michigan**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2007**

	General	Medical Care Facility	Revenue Sharing	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 5,647,506	\$ 2,277,507	\$ 1,212,519	\$ 2,125,477	\$ 11,263,009
Licenses and permits	52,147	-	-	-	52,147
Intergovernmental	1,103,676	-	-	650,090	1,753,766
Charges for services	1,073,176	11,807,220	-	2,790,542	15,670,938
Fines and forfeitures	6,237	-	-	-	6,237
Interest and rents	196,137	22,723	-	25	218,885
Contributions from local units	-	-	-	473,993	473,993
Other	215,326	-	-	168,474	383,800
Total revenues	<u>8,294,205</u>	<u>14,107,450</u>	<u>1,212,519</u>	<u>6,208,601</u>	<u>29,822,775</u>
<b>Expenditures:</b>					
Current operations:					
Legislative	178,378	-	-	-	178,378
Judicial	1,387,670	-	-	16,277	1,403,947
General county government	2,485,560	-	-	-	2,485,560
Public safety	3,203,997	-	-	1,394,091	4,598,088
Public works	199,955	-	-	-	199,955
Health and welfare	35,994	12,940,266	-	3,537,333	16,513,593
Culture and recreation	-	-	-	49,829	49,829
Other	680,189	-	-	146,574	826,763
Capital outlay	-	-	-	125,860	125,860
Debt service:					
Principal	-	-	-	570,000	570,000
Interest and fiscal charges	-	-	-	376,710	376,710
Total expenditures	<u>8,171,743</u>	<u>12,940,266</u>	<u>-</u>	<u>6,216,674</u>	<u>27,328,683</u>
<b>Revenues Over (Under) Expenditures</b>	<u>122,462</u>	<u>1,167,184</u>	<u>1,212,519</u>	<u>(8,073)</u>	<u>2,494,092</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	898,939	-	-	505,862	1,404,801
Transfers (out)	(206,253)	-	(476,623)	(299,609)	(982,485)
Total other financing sources (uses)	<u>692,686</u>	<u>-</u>	<u>(476,623)</u>	<u>206,253</u>	<u>422,316</u>
<b>Net Changes in Fund Balances</b>	<u>815,148</u>	<u>1,167,184</u>	<u>735,896</u>	<u>198,180</u>	<u>2,916,408</u>
<b>Fund Balances - Beginning of Year</b>	<u>(29,063)</u>	<u>755,223</u>	<u>1,950,911</u>	<u>2,448,873</u>	<u>5,125,944</u>
<b>Fund Balances - End of Year</b>	<u>\$ 786,085</u>	<u>\$ 1,922,407</u>	<u>\$ 2,686,807</u>	<u>\$ 2,647,053</u>	<u>\$ 8,042,352</u>

See Notes to Financial Statements.

**Oceana County, Michigan**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Governmental Activities on the Statement of Activities  
Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 2,916,408
--	--------------

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$ (899,348)	
Capital outlay	<u>500,058</u>	
		(399,290)

Add net effect of principal recognized as revenue at fund level for long-term receivable collection	(320,000)
--	-----------

Accrued interest on long-term debt is recorded as an expense when paid	2,503
--	-------

Bond proceeds are reported as financing sources in governmental funds  
and thus contribute to the change in fund balance. In the Statement of Net  
Assets, however, issuing debt increases long-term liabilities and does not  
affect the Statement of Activities. Similarly, repayment of principal is an  
expenditure in the governmental funds but reduces the liability in the  
Statement of Net Assets.

Notes issued	(206,073)	
Repayments:		
To bond holders	585,000	
Notes payable	<u>109,337</u>	
		<u>488,264</u>

Change in Net Assets of Governmental Activities	\$ <u>2,687,885</u>
---	---------------------

**Oceana County, Michigan**  
Statement of Net Assets  
Proprietary Fund  
December 31, 2007

	<b>Delinquent Tax Revolving Fund</b>
	<u>                    </u>
<b>Current Assets:</b>	
Cash and cash equivalents	\$      255,147
Delinquent taxes receivable	<u>      1,411,908</u>
Total current assets	<u>      1,667,055</u>
 <b>Current Liabilities:</b>	
Notes payable	<u>          1,125,000</u>
 <b>Net Assets:</b>	
Unrestricted	<u>          542,055</u>
Total net assets	<u><u>      \$      542,055</u></u>

**Oceana County, Michigan**  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund  
Year Ended December 31, 2007

	<b>Delinquent Tax Revolving Fund</b>
<b>Operating Revenues:</b>	
Interest and penalties on delinquent taxes	\$ 619,184
<b>Operating Expenses:</b>	
Interest expense	194,208
Total operating expenses	194,208
<b>Operating Income (Loss)</b>	424,976
<b>Transfers:</b>	
Transfers (out)	(422,316)
Total transfers	(422,316)
<b>Changes in Net Assets</b>	2,660
<b>Net Assets - Beginning of Year</b>	539,395
<b>Net Assets - End of Year</b>	\$ 542,055

**Oceana County, Michigan**  
Statement of Cash Flows  
Proprietary Fund  
Year Ended December 31, 2007

	<b>Delinquent Tax Revolving Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers	\$ 366,028
Other payments	<u>-</u>
Net cash provided by operating activities	<u>366,028</u>
<b>Cash Flows from Noncapital and Related Financing Activities:</b>	
Net borrowings on long-term debt	180,000
Interest paid on long-term debt	(194,208)
Transfers to other funds	<u>(422,316)</u>
Net cash used by noncapital and related financing activities	<u>(436,524)</u>
<b>Cash Flows from Investing Activities:</b>	
Investment earnings	<u>-</u>
Net cash provided by investing activities	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(70,496)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>325,643</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 255,147</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 424,976
Adjustments to reconcile operating income to net cash provided by operating activities:	
Interest included in financing activities	194,208
(Increase) decrease in: Receivables	<u>(253,156)</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 366,028</u></u>

See Notes to Financial Statements.

**Oceana County, Michigan**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2007

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 628,161
Total assets	<u>\$ 628,161</u>
<b>Liabilities:</b>	
Undistributed penal fines	\$ 118,112
Other trust items payable	<u>510,049</u>
Total liabilities	<u>\$ 628,161</u>



**Oceana County, Michigan**  
**Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies and Other Matters**

Oceana County was organized in 1855, and covers an area of approximately 1,296 square miles divided into sixteen townships, six villages and one city. The County Seat is located in the City of Hart. The County operates under an elected Board of Commissioners (seven members) and provides services to its approximately 26,873 (2000 census) residents in many areas including law enforcement, administration of justice, community enrichment and development and human services.

**Reporting Entity**

Generally accepted accounting principles require the reporting entity to include Oceana County (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

**Blended Component Units**

Oceana County Building Authority – The Oceana County Building Authority is governed by a five-member board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

**Discretely Presented Component Units**

This report does not include the financial statements of the following component units, which should be included as discretely presented component units to conform to generally accepted accounting principles.

Oceana County Drain Commission – Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities with the power to contract; to sue and be sued; to hold, manage, and dispose of real and personal property; etc. The County Drain Commissioner has sole responsibility to administer the drainage district established pursuant to Chapter 3 and Chapter 4 of the Drain Code.

The drainage board or drain commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district.

Oceana County Road Commission – The County Road Commission, which is established pursuant to the County Road Law, is governed by an appointed three-member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, the Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as a part of the County's total tax levy as well as reported in the County Road Fund.

Also omitted from these statements is the Road Commission's Deferred Compensation Trust (Trust and Agency Fund), which holds and invests the Road Commission employee's deferred compensation amounts. The Road Commission is audited individually by other auditors.

**Oceana County, Michigan**  
**Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)**

**Discretely Presented Component Units (Continued)**

Oceana County Economic Development Corporation – The Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a thirteen-person Board of Directors appointed by the County's Board of Commissioners. The EDC may not issue debt without the Board's approval and administers a significant amount of federal economic development grant money received by the County Board. The EDC is audited individually and is not included in this report.

Complete financial statements of the individual component units, where reports are separately provided, can be obtained from their respective administrative offices or from the County Administrator's Office, P.O. Box 14, Hart, Michigan 49420. The telephone number is (231) 873-4835.

Administrative Offices

Oceana County Road Commission  
3501 West Polk  
Hart, Michigan 49420

Oceana Economic Development Corporation  
Oceana County Courthouse Annex Building  
Hart, Michigan 49420

Oceana County Drain Commission  
Oceana County Courthouse Building  
Oceana, Michigan 49420

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities on all the non-fiduciary activities of the primary government. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on user's fees and charges for service.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly recorded among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Oceana County, Michigan**  
**Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period. For this purpose, the County considers revenue to be available if they are collected within 90 days of the end of the current fiscal period except taxes, which must be collected within 60 days. Taxes, intergovernmental revenues and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

The County reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Medical Care Facility Fund – This fund is used to account for funds raised for operating and maintaining a long-term care facility.

Revenue Sharing Fund – This fund accounts for accelerated property tax collections held for the replacement of future state shared revenues.

The County reports the following major proprietary funds:

Delinquent Tax Revolving Fund – This fund accounts for the County's annual purchases of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments. The Delinquent Tax Revolving Fund is the only proprietary fund of the County.

Additionally, the County reports the following fund types:

Special Revenue Funds – These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt Service Funds – These funds are used to account for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds not being financed by proprietary or nonexpendable trust funds.

Capital Project Funds – These funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Permanent Funds – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Agency Funds – These funds account for monies that are custodial in nature (assets equal liabilities) and do not involve the measurement of results in operations.

**Oceana County, Michigan**  
**Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are revenues in excess of expenses for tax collection and internal rentals of buildings and equipment in excess of depreciation and cost of borrowing. Elimination of the revenues would distort the activity of the functions and would not reflect the proper future uses of the excesses collected for their specific governmental purposes.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of our proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit as well as amounts in the County Treasurer's cash management pools.

The County Treasurer maintains an entity-wide pooled cash account. Each fund type's portion of this pool is included in the "cash and cash equivalents" caption.

The County reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the County intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The County had no investments at year-end.

State statutes authorize the County to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The County is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**Oceana County, Michigan**  
**Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)**

**Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Pursuant to Public Act 357 of 2004, all Michigan Counties levy a summer property tax levy in the amount of one-third of the next year's taxable value. For Oceana County, the summer 2005 tax levy was at 1.7802 mills. In 2006, two-thirds of the total property taxes were levied in the summer and in 2007 all property taxes will be levied in the summer.

County property taxes are levied on December 1 of each year, which is the lien date, and are collected through March 1 of the year following the levy, at which time uncollected taxes become delinquent. A portion of the summer levy is recorded as receivable and deferred revenue at year end because it is intended to fund expenditures of the following fiscal year. Taxes collected in December are held in the Trust and Agency Fund until the following year.

The 2007 taxable value of Oceana County totaled \$1,018,566,194, on which ad valorem taxes levied consisted of 1.7451 mills for the County's operating purposes, .9665 mills for ambulance services, 2.3643 mills for medical care facility services, 0.5000 mills for medical care facility debt, and 0.7249 mills for Senior Citizens' Tax Fund purposes.

**Inventories**

Inventories recorded in the Medical Care Facility Fund are accounted for using the consumption method and are valued at lower of cost (first-in, first-out) or market.

**Capital Assets**

Property and equipment are stated at cost. Expenditures which materially extend the useful life of existing properties are capitalized. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs during the construction period. Capital assets are defined as assets with an estimated useful life of more than one year and with a unit cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are reported in the respective governmental or business-type activities columns in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**Oceana County, Michigan**  
**Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)**

**Capital Projects (Continued)**

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	20 - 40
Equipment and furniture	5 - 10
Vehicles	5 - 10
Infrastructure	35 - 40

**Compensated Absences (Vacation and Sick Leave)**

It is the County's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick leave is earned at the rate of seven to eight hours per month depending on the department and can be accumulated up to 630 hours. Payment upon separation is 50 percent of the unused accumulated sick leave balance. Vacation is earned in varying amounts depending on the number of years of service of an employee and should be used within one year of having been credited to the employee. It may be accrued with the permission of the department head.

**Long-term Obligations**

In the government-wide financial statements, long-term debts are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity Reserves and Designations**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. It is the County's policy to first use restricted funds when available and then use unrestricted funds.

**Note 2 - Stewardship, Compliance and Accountability**

The general and special revenue funds are the governmental fund types under formal budgetary control. The County adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget.

- 1) A general, special revenue and debt service funds budget is presented to the Board in September, at which time hearings on the budget are scheduled. A public hearing is held in September and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Board.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in September.
- 3) Formal budget integration was employed as a management control device during the year for all funds.

**Oceana County, Michigan**  
**Notes to Financial Statements**

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

- 4) Budgets presented for the general and special revenue funds were prepared on the cash basis of accounting. Encumbrances are not recorded at year-end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals. Violations, if any, are noted in the required supplemental information section.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Board for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The governing Board has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing Board approval but not between departments.
- 8) The budgetary information presented has been amended during the year by an official action of the County Board of Commissioners. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

**Note 3 - Cash and Cash Equivalents**

To facilitate better management of the County's resources, substantially all cash is combined in one pooled operating account. The County's excess cash is invested principally in certificates of deposit.

In addition, the cash management pool and some depository accounts are maintained by various County Departments for the deposit of fees, fines, and other miscellaneous revenue. These revenues are transferred to the County Treasurer on a regular basis. Year-end book balances in these depository accounts are included in cash for reporting purposes.

At year-end, the County's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ <u>6,681,121</u>	\$ <u>255,147</u>	\$ <u>628,161</u>	\$ <u>7,564,429</u>

The breakdown between deposits and investments for the County is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 7,542,729
Petty cash and cash on hand	<u>21,700</u>
Total	\$ <u>7,564,429</u>

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the local unit. The County has not adopted and State law does not require a policy for deposit custodial credit risk. As of year end \$7,775,947 of the County's bank balance of \$8,075,947 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 4 – Capital Assets**

Capital asset activity of the County's governmental activities was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated:				
Land	\$ 1,365,960	\$ -	\$ -	\$ 1,365,960
Total assets not being depreciated	<u>1,365,960</u>	<u>-</u>	<u>-</u>	<u>1,365,960</u>
Capital assets being depreciated:				
Buildings and improvements	11,488,576	142,749	-	11,631,325
Equipment and furniture	5,157,266	155,751	-	5,313,017
Vehicles	1,404,198	201,558	88,342	1,517,414
Infrastructure	<u>146,650</u>	<u>-</u>	<u>-</u>	<u>146,650</u>
Subtotal	<u>18,196,690</u>	<u>500,058</u>	<u>88,342</u>	<u>18,608,406</u>
Accumulated depreciation:				
Buildings and improvements	2,682,836	292,228	-	2,975,064
Equipment and furniture	2,367,609	488,274	-	2,855,883
Vehicles	906,242	115,913	87,842	934,313
Infrastructure	<u>87,745</u>	<u>2,933</u>	<u>-</u>	<u>90,678</u>
Subtotal	<u>6,044,432</u>	<u>899,348</u>	<u>87,842</u>	<u>6,855,938</u>
Net capital assets being depreciated	<u>12,152,258</u>	<u>(399,290)</u>	<u>(500)</u>	<u>11,752,468</u>
Net capital assets, Governmental activities	<u>\$13,518,218</u>	<u>\$ (399,290)</u>	<u>\$ (500)</u>	<u>\$13,118,428</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Judicial	\$ 9,237
Culture and recreation	4,567
General county government	62,092
Public safety	456,554
Health and welfare	<u>366,898</u>
Total depreciation expense - governmental activities	<u>\$ 899,348</u>



**Oceana County, Michigan**  
Notes to Financial Statements

**Note 5 – Long-Term Debt**

The County issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the County.

Governmental activities – long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	\$ 8,551,000	\$ -	\$ 585,000	\$ 7,966,000	\$610,000
Loans payable	<u>283,507</u>	<u>206,073</u>	<u>109,337</u>	<u>380,243</u>	<u>115,387</u>
Total governmental activities	<u>\$8,834,507</u>	<u>\$ 206,073</u>	<u>\$ 694,337</u>	<u>\$ 8,346,243</u>	<u>\$725,387</u>

General obligation bonds currently outstanding are as follows:

\$5,165,000 – City of Hart – Local Government Loan Program Revenue Bonds, Series 2001B due in annual installments of \$335,000 to \$455,000 through November 1, 2015; interest at 3.950% to 4.850%	\$ 3,125,000
\$1,890,000 – E-911 Building – Local Government Program Revenue Bonds, Series 2002, due in annual installments of \$115,000 to \$165,000 through November 1, 2017; interest of 3.750% to 4.625%	1,360,000
\$241,500 – Capital Improvement Bonds, Series 2003, due in annual installments of \$5,000 to \$15,000 through June 1, 2033; interest at 4.250%	226,000
\$350,000 – Capital Improvement Bonds, Series 2003B, due in annual installments of \$15,000 to \$30,000 through November 1, 2023; interest at 3.000% to 5.000%	310,000
\$3,500,000 – Capital Improvement Bonds, Series 2003C, due in annual installments of \$140,000 to \$245,000 through November 1, 2023; interest at 3.000% to 4.550%	<u>2,945,000</u>
Total bonded debt	<u>\$7,966,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 610,000	\$ 391,602	\$ 1,001,602
2009	630,000	367,854	997,854
2010	655,000	342,708	997,708
2011	681,000	315,372	996,372
2012	701,000	286,467	987,467
2013-2017	3,058,000	982,828	4,040,828
2018-2022	1,230,000	546,971	1,776,971
2023-2027	325,000	120,432	445,432
2028-2032	61,000	22,796	83,796
2033	<u>15,000</u>	<u>1,300</u>	<u>16,300</u>
Total	<u>\$ 7,966,000</u>	<u>\$ 3,378,330</u>	<u>\$11,344,330</u>

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 5 – Long-Term Debt (Continued)**

Loans Payable (all loans secured by equipment purchased with financing):

The County is party to the following long-term notes at December 31, 2007:

Note payable Michigan Aeronautics Commission, matures May 2009, annual payments of \$8,541 including interest at 4.50%.	\$ 16,027
Note payable Michigan Aeronautics Commission, matures September 2009, annual payments of \$1,896 including interest at 4.50%.	3,336
Note payable AVAYA Financial Services, matures May 2010, monthly payments of \$3,542 including interest at 5.12%.	189,194
Note payable CNH Capital, matures September 2010, monthly payments of \$978 including interest at 7.25%.	51,209
Note payable for Chevy Trailblazer, matures November 2009, monthly payments of \$474 including interest at 6.25%	11,382
Note payable Albin Business, matures May 2012, monthly payments of \$164 including interest at 6%	9,020
Note payable First Bankers Corporation, matures March 2011, annual payments of \$17,452 including interest of 4.97%	52,356
Note payable for Rotary Wing Mower, matures November 2011, annual payments of \$4,134	12,401
Note payable for Windsor Clipper, matures September 2010, monthly payments of \$97	3,185
Note payable Old National Bank, matures March 2009, monthly payments of \$2,358 including interest at 4.34%.	<u>32,133</u>
	<u>\$ 380,243</u>

The notes are due in the following years:

2008	\$ 115,387
2009	95,605
2010	59,850
2011	37,396
2012	36,576
2013	<u>35,429</u>
	<u>\$ 380,243</u>

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 5 – Long-Term Debt (Continued)**

Business-type activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Delinquent tax notes payable	\$ 945,000	\$ 2,700,000	\$ 2,520,000	\$ 1,125,000	\$ 1,125,000

At December 31, 2007, the County had outstanding \$1,125,000 of short-term general obligation tax notes. The tax notes carry interest rate at prime. All revenues related to the 2006 delinquent real property taxes have been pledged as security for the notes.

**Note 6 – Interfund Receivables and Payables**

The interfund balances at year-end consist of a long-term advance from the general fund to the drain revolving fund (component unit) of \$31,200 and an amount of \$1,461,705 due from the general fund to the revenue sharing fund as a result of too much taxes being received into the general fund.

**Note 7 - Leases Payable**

The County is party to several long-term rental agreements for office equipment. These agreements call for varying payments and terms due in the following years:

2008	\$ 118,080
2009	102,666
2010	3,145
2011	<u>1,830</u>
	\$ <u>225,721</u>

**Note 8 - Pension Plan**

**Plan Description**

Oceana County has a defined benefit plan for its employees that provides retirement, disability and death benefits to its members and beneficiaries. The plan is administered by the Municipal Employees Retirement System (MERS), an agent multiple employer pension plan created under Public Act 135 of 1945.

MERS issues a publicly available financial report that includes financial statements and required supplemental information for the County. This report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (517) 703-9030.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy. The County is required to contribute at an actuarially determined rate; the current rate was 5.79% at December 31, 2006.

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 8 - Pension Plan (Continued)**

**Annual Pension Cost**

For 2007, the County's annual pension cost was \$556,671 with the full amount being paid. The required contribution was determined as part of the December 31, 2006 actuarial valuation, using the entry age actuarial cost method. The actuarial assumptions include: a) 8% Investment Rate of Return (net of administrative expenses) and b) projected salary increases of 4.5% per year. The actuarial value of the County MERS plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The County's actuarial accrued liability has been overfunded for the past four years. Any future unfunded liability would be amortized over the next 30 years. The amortization period is open.

**Three Year Trend Information**

<u>Ending</u>	<u>Pension Cost (APC)</u>	<u>APC Contributed</u>	<u>Obligation</u>
12/31/06	\$491,598	100%	\$0
12/31/05	490,916	100%	0
12/31/04	474,394	100%	0

**Analysis of Funding Progress**

<u>Valuation Date</u>	<u>(1) Actuarial Value of Plan Assets</u>	<u>(2) Actuarial Accrued Liability</u>	<u>(3) Funded Ratio (1)/(2)</u>	<u>(4) (Overfunded) Actuarial Liability (2)-(1)</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) Ratio of Unfunded (Funding Excess) to Covered Payroll (4)/(5)</u>
<b>December 31</b>						
2006	\$18,845,279	\$22,492,034	84%	\$3,646,755	\$10,615,099	34%
2005	17,117,520	20,095,418	83%	3,577,898	9,463,625	38%
2004	14,316,120	18,897,232	76%	3,238,774	9,005,597	36%

**Note 9 - Equity Transfer**

During the year, a \$422,316 equity transfer was made to the general fund from the treasurer's unrestricted tax revolving fund. The amount represents excess funds that have accumulated after several individual tax revolving fund bond issues had been liquidated. The excess funds accumulated in the individual funds are transferred to the treasurer's unrestricted fund and may then be used for general operations.

**Note 10 - Deferred Compensation Plan**

Oceana County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 Plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provision of GASB Statement 32, plan balances and activities are not reflected in Oceana County's financial statements.

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 11 - Related-Party Transactions**

Community Mental Health - The County leases premises to the Community Mental Health Service on a long-term lease arrangement calling for payments of \$332,864, payable \$3,000 in advance and the balance in 120 monthly installments of \$2,749. This lease commenced February 1, 1987 and expired July 1, 1997. The lease was renewed on a year-by-year basis for \$1,250 per month.

Building Authority - The County leases the Public Square site to the Authority for \$15, payable \$1 a year for 15 years.

**Note 12 - Risk Management**

Oceana County is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; liability; and natural disasters. The County is a member of the Michigan Municipal Risk Management Authority, which is a self-insured association, organized under the laws of the State of Michigan to provide self-insurance protection. The agreements between the Authority and the County are intergovernmental contracts. Under the contract, the County is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the County's self-insured retention (SIR) amounts. After the County has paid the SIR, the Authority is responsible for paying losses, including damages, loss adjustment expenses and defense costs up to a specified limit. The County's SIR and additional coverage amounts are as follows:

	<u>Retention</u>	<u>Additional Insurance</u>
Liability	\$ 75,000	\$15,000,000
Vehicle Physical Damage	\$ 15,000 per vehicle	1,500,000
	\$ 30,000 per occurrence	
Property and Crime	10% of the next \$100,000	8,431,968

The activity of this contract is recorded in the general fund. Cash balances represent ending funds on deposit with the authority at December 31, 2007. Past experience indicates incurred but unreported claims would not represent a material charge against fund equities.

Additional information is as follows:

Current year contributions to the SIR	\$ <u>22,605</u>
Funds on deposit December 31, 2007	\$ 59,031
Claims and legal reserve (on cash basis) December 31, 2007	<u>-</u>
Estimated net assets December 31, 2007	\$ <u>59,031</u>

The amounts are reported on a cash basis as provided by Michigan Municipal Risk Management Authority. Settled claims have not exceeded the SIR limits in any of the past three years.

**Note 13 - Jointly Governed Operations**

District Health Department Number 10 - Oceana County, Newaygo County, Lake County, Mecosta County, Manistee County, Mason County, Crawford County, Kalkaska County, Missaukee County and Wexford County participate jointly in the operation of the District Health Department Number 10.

The Board for the District Health Department is made up of two Commissioners from each county, plus one alternate from each county.

The funding formula approved by the member counties is based pro rata on each unit's population and their share of space costs. Member counties' appropriations for 2007 were based on revisions in population due to the 2000 Census. Oceana County's 2007 appropriation to the District Health Department was \$164,465.

**Oceana County, Michigan**  
Notes to Financial Statements

**Note 13 - Jointly Governed Operations (Continued)**

Community Mental Health System - Oceana County, Lake County and Mason County participate jointly in the operation of the West Michigan Community Mental Health System.

The funding formula is based pro rata on each unit's population to the total population. Member percentages of the net operating budget for the year ended December 31, 2007 were:

Oceana	40.00%
Mason	45.00%
Lake	15.00%

Oceana County's 2007 appropriation to West Michigan Community Mental Health System was \$130,000.

Substance Abuse - Oceana County is a member of a 31 County Region Coordinating Agency, (Northern Michigan Substance Abuse Services, Inc.) which contracts for substance abuse services throughout the member area. Each county appropriates 50% of their liquor tax fund revenues to NMSAS, Inc.

Oceana County's appropriation for 2007 was \$46,296.

**Note 14 - Transfers In (Out)**

Interfund transfers at December 31, 2007 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 898,939	\$ 206,253
Revenue Sharing Reserve	-	476,623
Parks & Recreation	64,168	55,000
Law Library	16,000	-
Child Care	120,000	41,290
Soldiers and Sailors' Relief	15,000	-
Social Welfare	10,000	-
Juvenile Justice	41,290	-
Mason/Oceana E-911	-	171,649
Mason/Oceana E-911 Debt	171,649	-
Crystal Valley County Park	55,000	31,670
Public Improvement	10,000	-
Cap. Proj. Dist. Ct.	2,755	-
Tax Revolving	-	422,316
	<u>\$1,404,801</u>	<u>\$1,404,801</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 15 - Change in Accounting Principle**

For the year ended December 31, 2007, the County switched from a modified cash-basis presentation of financial information to a modified accrual basis presentation as required under generally accepted accounting principles. Adjustments resulting from a change in accounting principle are treated as adjustments to prior periods. Accordingly, the County reports these changes as restatements of beginning fund balance, fund equity, or net assets, as appropriate.

**Oceana County, Michigan**  
**Notes to Financial Statements**

**Note 15 – Change in Accounting Principle (Continued)**

The following table shows beginning net assets restated for the effects of the change in accounting principle from the modified cash to accrual reporting method:

December 31, 2006 Net Assets – Governmental Activities	\$12,531,569
Accounts receivable	1,515,408
Inventory	73,933
Prepaid expenditures	290,161
Accounts payable	(476,005)
Accrued payroll and related	(680,422)
Accrued interest on long-term debt	(69,223)
Restated net assets – January 1, 2007	<u>\$13,185,421</u>

**Note 16 – Contingency**

During the year ended December 31, 2007, the Medical Care Facility had a grievance filed against it by the union. The outcome of the situation is unknown and a liability, if any, cannot be reasonably estimated so no amount has been reflected in the financial statements for this matter.

### **Required Supplemental Information**



**Oceana County, Michigan**  
Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget to Actual  
General Fund and Major Special Revenue Funds  
Year Ended December 31, 2007

	General Fund			Medical Care Facility Fund			Revenue Sharing Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenues:</b>									
Taxes	\$ 5,031,867	\$ 5,031,867	\$ 5,647,506	\$ 2,159,017	\$ 2,159,017	\$ 2,277,507	\$ 1,035,327	\$ 1,035,327	\$ 1,212,519
Licenses and permits	67,650	67,650	52,147	-	-	-	-	-	-
Intergovernmental	1,112,611	1,151,164	1,103,676	-	-	-	-	-	-
Charges for services	1,193,775	1,193,775	1,073,176	9,242,049	9,242,049	11,807,220	-	-	-
Fines and forfeitures	10,370	10,370	6,237	-	-	-	-	-	-
Interest and rents	170,000	170,000	196,137	-	-	22,723	-	-	-
Other	201,065	201,065	215,326	-	-	-	-	-	-
Total revenues	<u>7,787,338</u>	<u>7,825,891</u>	<u>8,294,205</u>	<u>11,401,066</u>	<u>11,401,066</u>	<u>14,107,450</u>	<u>1,035,327</u>	<u>1,035,327</u>	<u>1,212,519</u>
<b>Expenditures:</b>									
Current operations:									
Legislative	159,918	173,418	178,378	-	-	-	-	-	-
Judicial	1,430,502	1,449,261	1,387,670	-	-	-	-	-	-
General county government	2,569,709	2,580,459	2,485,560	-	-	-	-	-	-
Public safety	3,263,417	3,299,157	3,203,997	-	-	-	-	-	-
Public works	157,942	200,642	199,955	-	-	-	-	-	-
Health and welfare	50,920	50,920	35,994	11,401,066	11,401,066	12,940,266	-	-	-
Other	803,200	720,304	680,189	-	-	-	-	-	-
Total expenditures	<u>8,435,608</u>	<u>8,474,161</u>	<u>8,171,743</u>	<u>11,401,066</u>	<u>11,401,066</u>	<u>12,940,266</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(648,270)</u>	<u>(648,270)</u>	<u>122,462</u>	<u>-</u>	<u>-</u>	<u>1,167,184</u>	<u>1,035,327</u>	<u>1,035,327</u>	<u>1,212,519</u>
<b>Other Financing Sources (Uses):</b>									
Transfers in	935,327	935,327	898,939	-	-	-	-	-	-
Transfers out	(287,057)	(287,057)	(206,253)	-	-	-	(1,035,327)	(1,035,327)	(476,623)
Total other financing sources (uses)	<u>648,270</u>	<u>648,270</u>	<u>692,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,035,327)</u>	<u>(1,035,327)</u>	<u>(476,623)</u>
<b>Net Changes in Fund Balances</b>	-	-	815,148	-	-	1,167,184	-	-	735,896
<b>Fund Balances - Beginning of Year</b>	<u>(29,063)</u>	<u>(29,063)</u>	<u>(29,063)</u>	<u>755,223</u>	<u>755,223</u>	<u>755,223</u>	<u>1,950,911</u>	<u>1,950,911</u>	<u>1,950,911</u>
<b>Fund Balances - End of Year</b>	<u>\$ (29,063)</u>	<u>\$ (29,063)</u>	<u>\$ 786,085</u>	<u>\$ 755,223</u>	<u>\$ 755,223</u>	<u>\$ 1,922,407</u>	<u>\$ 1,950,911</u>	<u>\$ 1,950,911</u>	<u>\$ 2,686,807</u>

## **Other Supplemental Information**

**Oceana County, Michigan**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2007**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Debt Service Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Nonmajor Permanent Funds</b>	<b>Total</b>
<b><u>Assets</u></b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,734,435	\$ 656,900	\$ 134,704	\$ 617	\$ 2,526,656
Accounts receivable	310,402	-	761	-	311,163
Interest receivable	1,507	-	-	-	1,507
Due from State	65,634	-	-	-	65,634
Prepaid expenses	31,642	-	-	-	31,642
Property taxes receivable	1,562,797	-	-	-	1,562,797
Total assets	<u>\$ 3,706,417</u>	<u>\$ 656,900</u>	<u>\$ 135,465</u>	<u>\$ 617</u>	<u>\$ 4,499,399</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities:</b>					
Deferred property taxes	\$ 1,562,797	\$ -	\$ -	\$ -	\$ 1,562,797
Accounts payable	98,301	-	-	-	98,301
Other liabilities	191,248	-	-	-	191,248
Total liabilities	<u>1,852,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,852,346</u>
<b>Fund Balances:</b>					
Reserved for prepaids	31,642	-	-	-	31,642
Unreserved:					
Designated	-	-	-	617	617
Unreserved: undesignated	1,822,429	656,900	135,465	-	2,614,794
Total fund balances	<u>1,854,071</u>	<u>656,900</u>	<u>135,465</u>	<u>617</u>	<u>2,647,053</u>
Total liabilities and fund balances	<u>\$ 3,706,417</u>	<u>\$ 656,900</u>	<u>\$ 135,465</u>	<u>\$ 617</u>	<u>\$ 4,499,399</u>

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended December 31, 2007

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Debt Service Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Nonmajor Permanent Funds</b>	<b>Total</b>
<b>Revenues:</b>					
Taxes	\$ 1,625,254	\$ 500,223	\$ -	\$ -	\$ 2,125,477
Intergovernmental	650,090	-	-	-	650,090
Charges for services	2,790,542	-	-	-	2,790,542
Interest and rents	-	10	-	15	25
Contributions from local units	-	473,993	-	-	473,993
Other	158,112	-	10,362	-	168,474
Total revenues	<u>5,223,998</u>	<u>974,226</u>	<u>10,362</u>	<u>15</u>	<u>6,208,601</u>
<b>Expenditures:</b>					
Current operations:					
Judicial	16,277	-	-	-	16,277
Public safety	1,394,091	-	-	-	1,394,091
Health and welfare	3,537,333	-	-	-	3,537,333
Culture and recreation	49,829	-	-	-	49,829
Other	(3,439)	-	-	150,013	146,574
Capital outlay	87,124	-	38,736	-	125,860
Debt service:					
Principal	-	570,000	-	-	570,000
Interest	-	376,710	-	-	376,710
Total expenditures	<u>5,081,215</u>	<u>946,710</u>	<u>38,736</u>	<u>150,013</u>	<u>6,216,674</u>
<b>Revenues Over (Under) Expenditures</b>	<u>142,783</u>	<u>27,516</u>	<u>(28,374)</u>	<u>(149,998)</u>	<u>(8,073)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	331,458	171,649	2,755	-	505,862
Transfers (out)	(299,609)	-	-	-	(299,609)
Total other financing sources (uses)	<u>31,849</u>	<u>171,649</u>	<u>2,755</u>	<u>-</u>	<u>206,253</u>
<b>Net Changes in Fund Balances</b>	174,632	199,165	(25,619)	(149,998)	198,180
<b>Fund Balances - Beginning of Year</b>	<u>1,679,439</u>	<u>457,735</u>	<u>161,084</u>	<u>150,615</u>	<u>2,448,873</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,854,071</u>	<u>\$ 656,900</u>	<u>\$ 135,465</u>	<u>\$ 617</u>	<u>\$ 2,647,053</u>

**Oceana County, Michigan**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2007

	Parks and Recreation	Friend of the Court	Public Improvement	Building Department	Interim			
					Elderly and Handicapped	Drug Enforcement	Law Library	Ambulance
<b>Assets:</b>								
Cash and cash equivalents	\$ 32,434	\$ 49,266	\$ 10,043	\$ -	\$ -	\$ 8,511	\$ 9,343	\$ 265,932
Accounts receivable	-	-	-	55	-	-	-	193,818
Interest receivable	-	-	-	-	-	-	-	438
Due from State	-	1,814	-	-	-	-	-	-
Prepaid expenses	-	-	-	3,445	-	-	-	108
Due from other funds	-	-	-	-	-	-	-	-
Property taxes receivable	-	-	-	-	-	-	-	909,002
Total assets	\$ 32,434	\$ 51,080	\$ 10,043	\$ 3,500	\$ -	\$ 8,511	\$ 9,343	\$ 1,369,298
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Deferred property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 909,002
Accounts payable	-	-	794	9,464	-	-	487	46,365
Other liabilities	-	-	-	9028	-	-	-	37,155
Total liabilities	-	-	794	18,492	-	-	487	992,522
<b>Fund Balances:</b>								
Reserved:								
Reserved for prepaids	-	-	-	3,445	-	-	-	108
Unreserved:								
Designated for capital expenditures	-	-	9,249	-	-	-	-	-
Unreserved: undesignated	32,434	51,080	-	(18,437)	-	8,511	8,856	376,668
Total fund balances	32,434	51,080	9,249	(14,992)	-	8,511	8,856	376,776
Total liabilities and fund balances	\$ 32,434	\$ 51,080	\$ 10,043	\$ 3,500	\$ -	\$ 8,511	\$ 9,343	\$ 1,369,298

**Oceana County, Michigan**  
Combining Balance Sheet (Continued)  
Nonmajor Special Revenue Funds  
December 31, 2007

		Soldiers' And Sailors' Relief	Veterans' Trust	Senior Citizens' Tax Fund	Social Welfare	Juvenile Justice	Victims' Restitution
<b>Assets:</b>							
Cash and cash equivalents	\$ 62,469 \$	4,147 \$	802 \$	30,847 \$	73,422 \$	5,258 \$	541
Accounts receivable	1,889	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-
Due from State	8,609	-	-	-	18,674	8,699	-
Prepaid expenses	2,581	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Property taxes receivable	-	-	-	653,795	-	-	-
Total assets	<u>\$ 75,548 \$</u>	<u>4,147 \$</u>	<u>802 \$</u>	<u>684,642 \$</u>	<u>92,096 \$</u>	<u>13,957 \$</u>	<u>541</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Deferred property taxes	\$ - \$	- \$	- \$	653,795 \$	- \$	- \$	-
Accounts payable	17,438	-	-	-	-	-	-
Other liabilities	165	-	-	-	-	2,208	-
Total liabilities	<u>17,603</u>	<u>-</u>	<u>-</u>	<u>653,795</u>	<u>-</u>	<u>2,208</u>	<u>-</u>
<b>Fund Balances:</b>							
Reserved:							
Reserved for prepaids	2,581	-	-	-	-	-	-
Unreserved:							
Designated for capital expenditures	-	-	-	-	-	-	-
Unreserved: undesignated	55,364	4,147	802	30,847	92,096	11,749	541
Total fund balances	<u>57,945</u>	<u>4,147</u>	<u>802</u>	<u>30,847</u>	<u>92,096</u>	<u>11,749</u>	<u>541</u>
Total liabilities and fund balances	<u>\$ 75,548 \$</u>	<u>4,147 \$</u>	<u>802 \$</u>	<u>684,642 \$</u>	<u>92,096 \$</u>	<u>13,957 \$</u>	<u>541</u>

## December 31, 2007

6	25,502	-	-	-	31,642
107,569	845,907	20,906	35,375	145,244	1,813,180
107,575	871,409	20,906	35,375	145,244	1,854,071
\$ 109,104	\$ 923,553	\$ 21,314	\$ 35,375	\$ 257,608	\$ 3,706,417

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year Ended December 31, 2007

	Parks and Recreation	Friend of the Court	Public Improvement	Building Department	Interim Elderly and Handicapped	Drug Enforcement	Law Library	Ambulance
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 929,510
Intergovernmental	-	-	-	-	27,828	-	-	-
Charges for services	6,624	-	-	317,139	-	-	-	848,004
Other	-	12,304	-	-	-	-	1,750	-
Total revenues	<u>6,624</u>	<u>12,304</u>	<u>-</u>	<u>317,139</u>	<u>27,828</u>	<u>-</u>	<u>1,750</u>	<u>1,777,514</u>
<b>Expenditures:</b>								
Judicial	-	-	-	-	-	-	16,277	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	38	-	407,981	27,828	-	-	1,654,748
Culture and recreation	10,498	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Capital outlay	-	-	33,324	-	-	-	-	-
Total expenditures	<u>10,498</u>	<u>38</u>	<u>33,324</u>	<u>407,981</u>	<u>27,828</u>	<u>-</u>	<u>16,277</u>	<u>1,654,748</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(3,874)</u>	<u>12,266</u>	<u>(33,324)</u>	<u>(90,842)</u>	<u>-</u>	<u>-</u>	<u>(14,527)</u>	<u>122,766</u>
<b>Other Financing Sources (Uses):</b>								
Transfers in	64,168	-	10,000	-	-	-	16,000	-
Transfers (out)	<u>(55,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>9,168</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	5,294	12,266	(23,324)	(90,842)	-	-	1,473	122,766
<b>Fund Balances - Beginning of Year</b>	27,140	38,814	32,573	75,850	-	8,511	7,383	254,010
<b>Fund Balances - End of Year</b>	<u>\$ 32,434</u>	<u>\$ 51,080</u>	<u>\$ 9,249</u>	<u>\$ (14,992)</u>	<u>\$ -</u>	<u>\$ 8,511</u>	<u>\$ 8,856</u>	<u>\$ 376,776</u>



**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (Continued)  
Nonmajor Special Revenue Funds  
Year Ended December 31, 2007

	Child Care	Soldiers' & Sailors' Relief	Veterans' Trust	Senior Citizens' Tax Fund	Social Welfare	Juvenile Justice	Victims' Restitution
<b>Revenues:</b>							
Taxes	\$ -	\$ -	\$ -	\$ 695,744	\$ -	\$ -	\$ -
Intergovernmental	121,529	-	2,741	-	474,292	23,700	-
Charges for services	32,131	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total revenues	<u>153,660</u>	<u>-</u>	<u>2,741</u>	<u>695,744</u>	<u>474,292</u>	<u>23,700</u>	<u>-</u>
<b>Expenditures:</b>							
Judicial	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Health and welfare	226,623	11,485	2,347	673,309	476,980	55,994	-
Culture and recreation	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>226,623</u>	<u>11,485</u>	<u>2,347</u>	<u>673,309</u>	<u>476,980</u>	<u>55,994</u>	<u>-</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(72,963)</u>	<u>(11,485)</u>	<u>394</u>	<u>22,435</u>	<u>(2,688)</u>	<u>(32,294)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>							
Transfers in	120,000	15,000	-	-	10,000	41,290	-
Transfers (out)	<u>(41,290)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>78,710</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>41,290</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	5,747	3,515	394	22,435	7,312	8,996	-
<b>Fund Balances - Beginning of Year</b>	<u>52,198</u>	<u>632</u>	<u>408</u>	<u>8,412</u>	<u>84,784</u>	<u>2,753</u>	<u>541</u>
<b>Fund Balances - End of Year</b>	<u>\$ 57,945</u>	<u>\$ 4,147</u>	<u>\$ 802</u>	<u>\$ 30,847</u>	<u>\$ 92,096</u>	<u>\$ 11,749</u>	<u>\$ 541</u>

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (Concluded)  
Nonmajor Special Revenue Funds  
Year Ended December 31, 2007

	Automation R.O.D.	Mason/ Oceana E-911	Local Correction Officer Training	Crystal Valley County Park	Foreclosure	Homestead Denial	Total
<b>Revenues:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,625,254
Intergovernmental	-	-	-	-	-	-	650,090
Charges for services	-	1,508,399	12,610	65,635	-	-	2,790,542
Other	44,198	-	-	-	99,778	82	158,112
Total revenues	44,198	1,508,399	12,610	65,635	99,778	82	5,223,998
<b>Expenditures:</b>							
Judicial	-	-	-	-	-	-	16,277
Public safety	-	1,384,445	9,646	-	-	-	1,394,091
Health and welfare	-	-	-	-	-	-	3,537,333
Culture and recreation	-	-	-	39,331	-	-	49,829
Other	-	-	-	-	(3,439)	-	(3,439)
Capital outlay	53,800	-	-	-	-	-	87,124
Total expenditures	53,800	1,384,445	9,646	39,331	(3,439)	-	5,081,215
<b>Revenues Over (Under) Expenditures</b>	(9,602)	123,954	2,964	26,304	103,217	82	142,783
<b>Other Financing Sources (Uses):</b>							
Transfers in	-	-	-	55,000	-	-	331,458
Transfers (out)	-	(171,649)	-	(31,670)	-	-	(299,609)
Total other financing sources (uses)	-	(171,649)	-	23,330	-	-	31,849
<b>Net Changes in Fund Balances</b>	(9,602)	(47,695)	2,964	49,634	103,217	82	174,632
<b>Fund Balances - Beginning of Year</b>	117,177	919,104	17,942	(14,259)	42,027	3,439	1,679,439
<b>Fund Balances - End of Year</b>	\$ 107,575	\$ 871,409	\$ 20,906	\$ 35,375	\$ 145,244	\$ 3,521	\$ 1,854,071

**Oceana County, Michigan**  
Combining Balance Sheet  
Nonmajor Debt Service Funds  
December 31, 2007

	<u>Medical Care Facility</u>	<u>Wastewater Treatment Plant</u>	<u>Mason/ Oceana E-911</u>	<u>Total</u>
<b><u>Assets</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 654,665	\$ 2,235	\$ -	\$ 656,900
	<u>\$ 654,665</u>	<u>\$ 2,235</u>	<u>\$ -</u>	<u>\$ 656,900</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Fund Balances:</b>				
Unreserved: undesignated	\$ 654,665	\$ 2,235	\$ -	\$ 656,900
Total liabilities and fund balances	<u>\$ 654,665</u>	<u>\$ 2,235</u>	<u>\$ -</u>	<u>\$ 656,900</u>

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Debt Service Funds  
Year Ended December 31, 2007

	<b>Medical Care Facility</b>	<b>Wastewater Treatment Plant</b>	<b>Mason/ Oceana E-911</b>	<b>Total</b>
<b>Revenues:</b>				
Taxes	\$ 500,223	\$ -	\$ -	\$ 500,223
Interest	-	10	-	10
Contributions from local units	-	473,993	-	473,993
Total revenues	<u>500,223</u>	<u>474,003</u>	<u>-</u>	<u>974,226</u>
<b>Expenditures:</b>				
Debt service:				
Principal retirement	140,000	320,000	110,000	570,000
Interest and fiscal charges	<u>161,068</u>	<u>153,993</u>	<u>61,649</u>	<u>376,710</u>
Total expenditures	<u>301,068</u>	<u>473,993</u>	<u>171,649</u>	<u>946,710</u>
<b>Revenues Over (Under) Expenditures</b>	<u>199,155</u>	<u>10</u>	<u>(171,649)</u>	<u>27,516</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	171,649	171,649
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>171,649</u>	<u>171,649</u>
<b>Net Changes in Fund Balances</b>	199,155	10	-	199,165
<b>Fund Balances - Beginning of Year</b>	<u>455,510</u>	<u>2,225</u>	<u>-</u>	<u>457,735</u>
<b>Fund Balances - End of Year</b>	<u>\$ 654,665</u>	<u>\$ 2,235</u>	<u>\$ -</u>	<u>\$ 656,900</u>

**Oceana County, Michigan**  
Combining Balance Sheet  
Nonmajor Capital Project Funds  
December 31, 2007

	<u>District</u>		
	<u>Court</u>	<u>Sheriff</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Assets:</b>			
Cash and cash equivalents	\$ 16,341	\$ 118,363	\$ 134,704
Accounts receivable	-	761	761
Total assets	<u>\$ 16,341</u>	<u>\$ 119,124</u>	<u>\$ 135,465</u>
<b><u>Fund Balances</u></b>			
<b>Fund Balances:</b>			
Unreserved:			
Undesignated	<u>\$ 16,341</u>	<u>\$ 119,124</u>	<u>\$ 135,465</u>

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Capital Project Funds  
Year Ended December 31, 2007

	District Court	Sheriff	Total
<b>Revenues:</b>			
Other	\$ -	\$ 10,362	\$ 10,362
Total revenues	<u>-</u>	<u>10,362</u>	<u>10,362</u>
<b>Expenditures:</b>			
Capital outlay	-	38,736	38,736
Total expenditures	<u>-</u>	<u>38,736</u>	<u>38,736</u>
<b>Revenues Over (Under) Expenditures</b>	-	(28,374)	(28,374)
<b>Other Financing Sources (Uses)</b>			
Transfers in	2,755	-	2,755
Total other financing sources (uses)	<u>2,755</u>	<u>-</u>	<u>2,755</u>
<b>Net Changes in Fund Balances</b>	2,755	(28,374)	(25,619)
<b>Fund Balances - Beginning of Year</b>	<u>13,586</u>	<u>147,498</u>	<u>161,084</u>
<b>Fund Balances - End of Year</b>	<u>\$ 16,341</u>	<u>\$ 119,124</u>	<u>\$ 135,465</u>

**Oceana County, Michigan**  
Combining Balance Sheet  
Nonmajor Permanent Funds  
December 31, 2007

	<u>Cemetery</u>	<u>Medical</u>	
	<u>Trust</u>	<u>Care</u>	
		<u>Endowment</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Assets:</b>			
Cash and cash equivalents	\$ 315	\$ 302	\$ 617
<b><u>Fund Balances</u></b>			
<b>Fund Balances:</b>			
Unreserved:			
Designated for programs	\$ 315	\$ 302	\$ 617

**Oceana County, Michigan**  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Permanent Funds  
Year Ended December 31, 2007

	<b>Cemetery Trust</b>	<b>Medical Care Endowment</b>	<b>Total</b>
<b>Revenues:</b>			
Interest	\$ 15	\$ -	\$ 15
Total revenues	<u>15</u>	<u>-</u>	<u>15</u>
<b>Expenditures:</b>			
Other	<u>13</u>	<u>150,000</u>	<u>150,013</u>
<b>Net Changes in Fund Balances</b>	2	(150,000)	(149,998)
<b>Fund Balances - Beginning of Year</b>	<u>313</u>	<u>150,302</u>	<u>150,615</u>
<b>Fund Balances - End of Year</b>	<u>\$ 315</u>	<u>\$ 302</u>	<u>\$ 617</u>



**Oceana County, Michigan**  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget to Actual  
General Fund  
Year Ended December 31, 2007

	<b>2007</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Taxes	\$ 5,031,867	\$ 5,647,506	\$ 615,639
Licenses and permits	67,650	52,147	(15,503)
Intergovernmental	1,151,164	1,103,676	(47,488)
Charges for services	1,193,775	1,073,176	(120,599)
Fines and forfeitures	10,370	6,237	(4,133)
Interest and rentals	170,000	196,137	26,137
Other	<u>201,065</u>	<u>215,326</u>	<u>14,261</u>
Total revenues	<u>7,825,891</u>	<u>8,294,205</u>	<u>468,314</u>
<b>Expenditures:</b>			
Current operations:			
Legislative			
Board of commissioners	<u>173,418</u>	<u>178,378</u>	<u>(4,960)</u>
Judicial			
Circuit court	375,672	358,378	17,294
District court	492,851	472,867	19,984
Friend of the court	322,638	310,094	12,544
Probate court	254,025	242,987	11,038
Jury board	<u>4,075</u>	<u>3,344</u>	<u>731</u>
Total judicial	<u>1,449,261</u>	<u>1,387,670</u>	<u>61,591</u>
General county government			
County administrator	180,906	177,709	3,197
Elections	17,469	4,072	13,397
Clerk	325,836	314,304	11,532
Equalization	215,549	190,513	25,036
Prosecuting attorney	364,514	365,670	(1,156)
Register of deeds	168,022	162,228	5,794
Plat board	1,340	1,120	220
Remonumentation	67,387	67,984	(597)
Drain commission	132,953	129,707	3,246
Treasurer	188,025	186,347	1,678
Tax administration	4,057	4,048	9
Cooperative extension	139,501	136,238	3,263
Building and grounds	313,528	296,375	17,153
Other general government	<u>461,372</u>	<u>449,245</u>	<u>12,127</u>
Total general county government	<u>2,580,459</u>	<u>2,485,560</u>	<u>94,899</u>

**Oceana County, Michigan**  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget to Actual  
General Fund  
Year Ended December 31, 2007

	<b>2007</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Expenditures (Continued):</b>			
Public safety			
Sheriffs' department	\$ 1,721,377	\$ 1,680,568	\$ 40,809
Training	6,700	6,681	19
Marine law enforcement	122,356	118,086	4,270
Snowmobile enforcement	36,734	32,410	4,324
Road patrol	108,312	161,522	(53,210)
Corrections department	1,075,950	999,495	76,455
Parole	3,500	3,116	384
Planning commission	18,353	12,335	6,018
Emergency preparedness	77,518	68,307	9,211
Other	600	-	600
Animal shelter	<u>127,757</u>	<u>121,477</u>	<u>6,280</u>
Total public safety	<u>3,299,157</u>	<u>3,203,997</u>	<u>95,160</u>
Public works			
Drains public benefit	9,550	9,363	187
Refuse collection and disposal	<u>191,092</u>	<u>190,592</u>	<u>500</u>
Total public works	<u>200,642</u>	<u>199,955</u>	<u>687</u>
Health and welfare	<u>50,920</u>	<u>35,994</u>	<u>14,926</u>
Other			
Appropriations	391,349	387,303	4,046
Other	<u>328,955</u>	<u>292,886</u>	<u>36,069</u>
Total other	<u>720,304</u>	<u>680,189</u>	<u>40,115</u>
Total expenditures	<u>8,474,161</u>	<u>8,171,743</u>	<u>302,418</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(648,270)</u>	<u>122,462</u>	<u>770,732</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	935,327	898,939	(36,388)
Transfers (out)	<u>(287,057)</u>	<u>(206,253)</u>	<u>80,804</u>
Total other financing sources (uses)	<u>648,270</u>	<u>692,686</u>	<u>44,416</u>
<b>Net Changes in Fund Balances</b>	-	815,148	815,148

**Oceana County, Michigan**  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget to Actual  
General Fund  
Year Ended December 31, 2007

	<u>2007</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fund Balances - Beginning of Year	\$ (29,063)	\$ (29,063)	\$ -
Fund Balances - End of Year	\$ (29,063)	\$ 786,085	\$ 815,148

**Oceana County, Michigan**  
Schedule of Bonded Indebtedness  
December 31, 2007

2001 Sewage Disposal Bonds Revenue Bonds Series 2001B	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2007
	July 12, 2001	\$ 5,165,000	3.950%	11/01/08	\$ 141,353	\$ 335,000	\$ 335,000
			4.150%	11/01/09	127,450	345,000	345,000
			4.250%	11/01/10	112,788	365,000	365,000
			4.350%	11/01/11	96,910	380,000	380,000
			4.450%	11/01/12	80,000	395,000	395,000
			4.550%	11/01/13	62,027	415,000	415,000
			4.650%	11/01/14	42,730	435,000	435,000
			4.850%	11/01/15	22,068	455,000	455,000
							<u>\$ 3,125,000</u>

2002 Capital Improvement Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2007
	November 1, 2002	\$ 1,890,000	3.750%	11/01/08	\$ 57,799	\$ 115,000	\$ 115,000
			4.000%	11/01/09	53,486	120,000	120,000
			4.000%	11/01/10	48,686	120,000	120,000
			4.000%	11/01/11	43,886	125,000	125,000
			4.100%	11/01/12	38,886	130,000	130,000
			4.250%	11/01/13	33,556	135,000	135,000
			4.350%	11/01/14	27,819	145,000	145,000
			4.500%	11/01/15	21,511	150,000	150,000
			4.600%	11/01/16	14,761	155,000	155,000
			4.625%	11/02/17	7,632	165,000	165,000
							<u>\$ 1,360,000</u>

**Oceana County, Michigan**  
Schedule of Bonded Indebtedness  
(Continued)  
December 31, 2007

2003 Capital Improvement Bonds	Date of Issue September 29, 2003	Amount of Issue \$241,500	Interest Rate 4.250%	Date of Final Maturity 06/01/08	Fiscal Year Interest Requirements \$	Amount of Annual Maturity \$	Bonds Outstanding 12/31/2007 \$
			4.250%	06/01/09	19,589	5,000	5,000
			4.250%	06/01/10	19,155	5,000	5,000
			4.250%	06/01/11	18,722	5,000	5,000
			4.250%	06/01/12	18,289	6,000	6,000
			4.250%	06/01/13	17,768	6,000	6,000
			4.250%	06/01/14	17,248	6,000	6,000
			4.250%	06/01/15	16,728	6,000	6,000
			4.250%	06/01/16	16,208	7,000	7,000
			4.250%	06/01/17	15,602	7,000	7,000
			4.250%	06/01/18	14,995	7,000	7,000
			4.250%	06/01/19	14,388	7,000	7,000
			4.250%	06/01/20	13,781	8,000	8,000
			4.250%	06/01/21	13,088	8,000	8,000
			4.250%	06/01/22	12,395	8,000	8,000
			4.250%	06/01/23	11,701	9,000	9,000
			4.250%	06/01/24	10,921	9,000	9,000
			4.250%	06/01/25	10,141	10,000	10,000
			4.250%	06/01/26	9,274	10,000	10,000
			4.250%	06/01/27	8,408	10,000	10,000
			4.250%	06/01/28	7,541	11,000	11,000
			4.250%	06/01/29	6,587	11,000	11,000
			4.250%	06/01/30	5,634	12,000	12,000
			4.250%	06/01/31	4,594	12,000	12,000
			4.250%	06/01/32	3,554	13,000	13,000
			4.250%	06/01/33	2,428	13,000	13,000
			4.250%		1,300	15,000	15,000
							<u>\$ 226,000</u>

**Oceana County, Michigan**  
Schedule of Bonded Indebtedness  
(Continued)  
December 31, 2007

2003 Capital Improvement Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2007
	November 1, 2003	\$350,000			\$	\$	\$
			3.000%	11/01/08	13,190	15,000	15,000
			3.000%	11/01/09	12,740	15,000	15,000
			3.250%	11/01/10	12,290	15,000	15,000
			3.500%	11/01/11	11,803	15,000	15,000
			3.750%	11/01/12	11,277	15,000	15,000
			4.000%	11/01/13	10,715	15,000	15,000
			4.100%	11/01/14	10,115	15,000	15,000
			4.200%	11/01/15	9,500	20,000	20,000
			4.300%	11/01/16	8,660	20,000	20,000
			4.400%	11/01/17	7,800	20,000	20,000
			4.500%	11/01/18	6,920	20,000	20,000
			4.600%	11/01/19	6,020	20,000	20,000
			4.700%	11/01/20	5,100	25,000	25,000
			4.800%	11/01/21	3,925	25,000	25,000
			4.900%	11/01/22	2,725	25,000	25,000
			5.000%	11/01/23	1,500	30,000	30,000
							\$ 310,000

**Oceana County, Michigan**  
Schedule of Bonded Indebtedness  
(Continued)  
December 31, 2007

2003 Capital Improvement Bonds	Date of Issue December 31, 2003	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2007
		\$3,500,000	3.000%	11/01/08	\$ 116,482	\$ 140,000	\$ 140,000
			3.000%	11/01/09	112,283	145,000	145,000
			3.500%	11/01/10	107,933	150,000	150,000
			3.500%	11/01/11	102,682	155,000	155,000
			3.500%	11/01/12	97,258	155,000	155,000
			3.650%	11/01/13	91,832	165,000	165,000
			3.750%	11/01/14	85,810	170,000	170,000
			3.850%	11/01/15	79,435	175,000	175,000
			3.950%	11/01/16	72,698	180,000	180,000
			4.050%	11/01/17	65,588	190,000	190,000
			4.150%	11/01/18	57,893	195,000	195,000
			4.250%	11/01/19	49,800	205,000	205,000
			4.350%	11/01/20	41,087	215,000	215,000
			4.450%	11/01/21	31,735	225,000	225,000
			4.500%	11/01/22	21,722	235,000	235,000
			4.550%	11/01/23	11,147	245,000	245,000
							<u>\$ 2,945,000</u>

**Oceana County**

Single Audit Report

Year Ended December 31, 2007



## Contents

	<u>Page</u>
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	1 - 2
Report Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	3-4
Schedule of Expenditures of Federal Awards .....	5
Notes to Schedule of Expenditures of Federal Awards .....	6
Schedule of Findings and Questioned Costs .....	7-8



**Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners  
Oceana County  
Hart, Michigan

Compliance

We have audited the compliance of Oceana County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. Oceana County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Oceana County's management. Our responsibility is to express an opinion on Oceana County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oceana County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oceana County's compliance with those requirements.

In our opinion, Oceana County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

### Internal Control Over Compliance

The management of Oceana County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Oceana County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oceana County's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in Oceana County's internal control that might be significant deficiencies or material weaknesses as defined below.

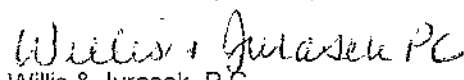
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

### Schedule of expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Oceana County's primary government as of and for the year ended December 31, 2007, and have issued our report thereon dated August 23, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's primary government basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Willis & Jurasek, P.C.  
August 23, 2008



**Report Based on an Audit of Financial Statements  
Performed in Accordance with  
Government Auditing Standards**

Board of Commissioners  
Oceana County  
Hart, Michigan

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Oceana County's primary government as of and for the year ended December 31, 2007, and have issued our report thereon dated August 23, 2008. Our report disclosed that the financial statements include only financial activity of the primary government and that the financial activities of component units that form the reporting entity are not included. The County also prepares its financial statements on the modified cash basis of accounting for its government-wide financial statements and the cash basis for its fund financial statements, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Oceana County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies describe in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. The significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-1, 2007-2, and 2007-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.


Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also consider to be material weaknesses. Of the significant deficiencies described above, we consider Findings 2007-2 and 2007-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oceana County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. .

Oceana County's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Willis & Jurasek, P.C.

August 23, 2008

**Oceana County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2007**

<b>Federal Agency/Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance</b>	<b>Pass Through Grantor's Number</b>	<b>Expenditures</b>
<u><b>U.S. Department of Justice</b></u>			
Passed through Michigan Department of State Police			
SCCENT	16.738	70889-8-07-B	\$ 29,586
Highway Safety Project - Click It or Ticket	16.738	PT-07-09	14,999
Passed through Communities Overcoming Violent Encounters			
STOP Project	16.588	STOP 07-53001-1	5,158
Total U.S. Department of Justice			<u>49,743</u>
<u><b>U.S. Department of Housing and Urban Development</b></u>			
Passed through Michigan State Housing Development Authority			
Community Development Block Grant - Housing Program	14.239	MSC-2004-5825-HOA	16,123
Community Development Block Grant - Homebuyer Grant	14.239	MSC-2006-5825-HO	81,029
Community Development Block Grant - Homeowner Rehabilitation Grant	14.239	MSC-2007-5825-HO	41,821
Total U.S. Department of Housing and Urban Development			<u>138,973</u>
<u><b>U.S. Department of Health and Human Services</b></u>			
Passed through Michigan Department of Human Services			
Title IV-D Prosecuting Attorney Co-Op	93.563	CSPA 07-64002	55,961
Title IV-D FOC	93.563	CSFOC 07-64001	246,443
Total U.S. Department of Health and Human Services			<u>302,404</u>
<u><b>U.S. Department of Homeland Security</b></u>			
Passed through Michigan Department of State Police			
Federal Boating Safety Financial Assistance Program	97.017	N/A	24,995
Emergency Management Performance Grant	97.042	N/A	23,949
Total U.S. Department of Homeland Security			<u>48,944</u>
			<u>\$ 540,064</u>

**Oceana County**  
Notes to Schedule of Expenditures of Federal Awards

**1. Summary Of Significant Accounting Policies**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Oceana County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Oceana County**  
Schedule Of Findings And Questioned Costs  
Year Ended December 31, 2007

**Section 1 – Summary of Auditors' Results**

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness identified?   X   yes            no

Significant deficiencies identified that are  
not considered to be material weakness   X   yes            no

Noncompliance material to financial statements noted            yes   X   no

Federal Awards

Internal control over major programs:

Material weakness identified?            yes   X   no

Significant deficiencies identified that are  
not considered to be material weakness            yes   X   no

Type of auditor's report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with section 510(a) of  
Circular A-133.            yes   X   no

Identification of major programs:

CFDA Number  
93.563

Name of Federal Program  
Title IV-D FOC

Dollar threshold used to distinguish between  
Type A and type B programs:   \$ 300,000  

Auditee qualified as low-risk            yes   X   no



**Oceana County**  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2007

**Section II – Financial Statement Findings**

**Finding 2007-1** Bank reconciliations were not performed on a timely basis at certain times during the last fiscal year. Timely reconciliations are an important internal control function. While this has not been an issue in the past, it was however, noted during the year ended December 31, 2007.

**Client Response** There has been improvement in the past year. We are aware of this and have taken corrective actions to be implemented from this point forward.

**Finding 2007-2** Management of the County has the ability to produce internal reporting that allows for financial management of the day to day operations. However, management relies on the external auditors to prepare its external audit reports. While this may be typical of some smaller municipalities, it is considered a significant deficiency under SAS 112, which became effective this year.

**Client Response** We are working with our auditors to improve in this area. We are aware of this and it is not beneficial to Oceana County to produce the external reports.

**Finding 2007-3** During the course of the audit we proposed a few journal entries, which management agreed with and posted to the final general ledger. However, some on these entries had a material affect on the final financial statements. The main material adjustment dealt with the Revenue Sharing Fund. Since this was a material adjustment, we considered this to be a material weakness as defined by SAS 112.

**Client Response** We are aware of this situation and are working diligently to make these corrections internally.

**Section III – Federal Award Findings and Questioned Costs**

None

**Section IV – Prior Year Federal Award Findings**

**Finding 2006-6** HUD programs require grantees to comply with Department of Environment Quality Environmental Review Requirements. The project for the Community Development Block Grant (Project number MSC 203042-EDIG), has received a notice of violation (DEQ Complaint Number 06-64-0031V) alleging a violation of the State's environmental regulations by filling in an area deemed to be a wetland without obtaining authorization to do so. The County is currently trying to remedy the situation and has requested grant extensions to attempt to correct the situation.

As a result, \$312,000 of the total grant amount is in danger of begin disallowed and is at this point considered a questioned cost. Unless the problem can be corrected the \$312,000 may be required to be repaid.

**Status** The County has worked with the DEQ and has remedied the situation as of December 31, 2007.

August 23, 2008

To the Board of Commissioners  
Oceana County

We have audited the financial statements of the governmental activities, and each major fund, and the aggregate remaining fund information of Oceana County for the year ended December 31, 2007, and have issued our report thereon dated August 23, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

- 1) As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
- 2) As part of our audit, we considered the internal control of Oceana County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- 3) We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters held prior to the audit field work.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Oceana County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The journal entries provided to management, including some that were material misstatements detected as a result of audit procedures, were corrected by management.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the audit report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 23, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Commissioners and management of Oceana County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.